

# **MENDOCINO COUNTY ASSESSMENT PRACTICES SURVEY**

**APRIL 2001**

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## **CALIFORNIA STATE BOARD OF EQUALIZATION**

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April 17, 2001

TO COUNTY ASSESSORS:

JAMES E. SPEED  
Executive Director

2001/023

MENDOCINO COUNTY  
ASSESSMENT PRACTICES SURVEY

A copy of the Mendocino County Assessment Practices Survey Report is enclosed for your information. The Board of Equalization (BOE) completed this survey in fulfillment of the provisions of sections 15640-15646 of the Government Code. These code sections provide that the BOE shall make surveys in each county and city and county to determine that the practices and procedures used by the county assessor in the valuation of properties are in conformity with all provisions of law.

The Honorable Marsha A. Wharff, Mendocino County Assessor/Recorder/Clerk, was provided a draft of this report and given an opportunity to file a written response to the findings and recommendations contained therein. The report, the county assessor's response, and the BOE's comments on the assessor's response constitute the final survey report which, pursuant to Government Code section 15646, is distributed to the Governor, the Attorney General, the State Legislature, the Mendocino County Board of Supervisors and Grand Jury.

The BOE's County Property Tax Division performed the fieldwork for this survey of the Mendocino County Assessor's Office between March and July 2000. The report does not reflect changes implemented by the assessor after the fieldwork was completed.

The survey process inherently requires the interruption of normal office work routines. We thank Ms. Wharff and her staff for their cooperation and patience during this assessment practices survey.

These survey reports give the government officials in California charged with property tax administration the opportunity to exchange ideas for the mutual benefit of all participants and stakeholders. We encourage you to share your questions, comments, and/or suggestions for improvement with us.

Sincerely,

Richard C. Johnson  
Deputy Director  
Property Taxes Department

RCJ:jm  
Enclosure

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## INTRODUCTION

Although county government has the primary responsibility for local property tax assessment, the State has both a public policy interest and a financial interest in promoting fair and equitable assessments throughout California. The public policy interest arises from the enormous impact of property taxes on taxpayers and the inherently subjective nature of the assessment process. The financial interest comes from the fact that half or more of all property tax revenues are used to fund public schools and the State is required to backfill any shortfalls from that property tax funding.

The assessment practices survey program is one of the State's major efforts to address these interests and to promote uniformity, fairness, equity, and integrity in the property tax assessment process. Under this program, the State Board of Equalization (BOE) periodically reviews (surveys) every county assessor's office. This report reflects the BOE's findings in its current survey of the Mendocino County Assessor's Office.

Readers of previous assessment practices survey reports will note several distinct changes in the format of the report. Among other things, the previous reports commonly contained multi-part recommendations and formal suggestions. Each recommended change is now listed as a separate recommendation. Items that would have been formal suggestions under the previous format are now either recommendations or are stated informally within the text of the report. Both of these changes increased the number of recommendations in the survey reports. Accordingly, an increase in the number of recommendations from one report to the next should not lead the reader to conclude that the effectiveness of the assessor's operation has decreased.

The assessor is required to file with the board of supervisors a response that indicates the manner in which the assessor has implemented, intends to implement, or the reasons for not implementing the recommendations contained in this report. Copies of the response are to be sent to the Governor, the Attorney General, the Board of Equalization, the Senate and Assembly, the Mendocino County Grand Jury, and the local board of equalization. That response is to be filed within one year of the date the report is issued and annually thereafter until all issues are resolved. The Honorable Marsha A. Wharff, Mendocino County Assessor-Recorder-Clerk,<sup>1</sup> elected to file her initial response prior to the publication of our survey; it is included in this report following the Appendices.

While typical management audit reports emphasize problem areas, they say little about operations that are performed correctly. Assessment practices survey reports also tend to emphasize problem areas. However, assessment practices survey reports also contain information required by law (see *Scope of Assessment Practices Surveys*) and information that may be useful to other assessors. The latter information is provided in the hope that the report will promote uniform, effective, and efficient assessment practices throughout California.

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<sup>1</sup> This report covers only the assessment functions of her office.

## SCOPE OF ASSESSMENT PRACTICES SURVEYS

Government Code sections 15640 and 15642 define the scope of an assessment practices survey. As directed by those statutes, our survey addresses the adequacy of the procedures and practices employed by the assessor in the valuation of property, the volume of assessing work as measured by property type, and the performance of other duties enjoined upon the assessor.

In addition, Revenue and Taxation Code<sup>2</sup> section 75.60 requires the BOE to certify that the county assessment roll meets a minimum assessment level. This certification may be accomplished either by conducting an assessment sample or by determining, through objective standards—defined by regulation—that there are no significant assessment problems. The statutory and regulatory requirements pertaining to the assessment practices survey program are detailed in Appendix C.

Our survey of the Mendocino County Assessor's Office included reviews of the assessor's records, interviews with the assessor and her staff, and contact with other public agencies in Mendocino County that provided information relevant to the property tax assessment program.

This survey also included an assessment sample of the 1999-2000 assessment roll to determine the average level (ratio) of assessment for all properties and the disparity among assessments within the sample. The ideal assessment ratio is 100 percent, and the minimum acceptable ratio is 95 percent. Disparity among assessments is measured by the sum of absolute differences found in the sample; the ideal sum of absolute differences is 0 percent and the maximum acceptable number is 7.5 percent. If the assessment roll meets the minimum standards for ratio and disparity, the county is eligible to continue to recover the administrative cost of processing supplemental assessments. The sampling program is described in detail in Appendix B.

This survey report offers recommendations to help the assessor resolve the problems we have identified. The recommendations contained in this report are based on the results of our research into statutory violations, under- or overassessments, or unacceptable appraisal practices that may occur in specific areas.

An assessment practices survey is not an audit of the assessor's entire operation. We do not examine internal fiscal controls, or the internal management of an assessor's office outside those areas related to assessment.

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<sup>2</sup> Unless otherwise stated, all statutory references are to the California Revenue and Taxation Code.

## EXECUTIVE SUMMARY

This report presents recommendations for improvement and also attempts to identify those program elements that are particularly effective and efficient. It also describes areas of improvement since our last assessment practices survey and acknowledges the implementation of previous recommendations.

- In our 1997 Assessment Practices Survey of Mendocino County, we made 17 recommendations addressing problems found in the assessor's policies and procedures. The assessor fully implemented eight of the changes we recommended, partially implemented two, and did not implement six. Due to a change in law, one of our previous recommendations—not implemented by the assessor—no longer applies. Most of the recommendations that were not implemented, or implemented only in part, are repeated in this report.
- We found no problems in the assessor's administration of assessment roll changes or the assessment of disaster relief properties, historical properties, or leased equipment.
- The assessor has effective programs for the processing of assessment appeals and business property statements.
- We found one staff appraiser deficient in the mandatory training required by section 671. To ensure her staff remains current with their annual training, the assessor should review the training requirements annually for her appraisal staff.
- Our sampling review discovered that the assessor's staff inconsistently applies the California Consumer Price Index (CCPI) factor for base year value adjustments. Pursuant to section 51(a)(1)(C), the inflation factor shall be the annual change in the CCPI rounded to the nearest one-thousandth of 1 percent.
- With two exceptions, the assessor has an effective program for discovering, appraising, and enrolling changes in ownership of real property. The exceptions are transfers between parents and their children and the submission of quarterly reports to the BOE concerning transfers of base year values for replacement dwellings.
- In the assessment of new construction, we repeat our prior recommendation that the assessor value construction in progress at market value on each lien date.
- Although the assessor has an effective program for reappraising properties that have experienced declines in value, the assessor's documentation relating to these properties is inconsistent. We recommend that the assessor's staff document, on each appraisal record, how the current year's assessed value was developed for properties subject to a decline in value.
- In our previous survey report, we made several recommendations addressing the assessor's treatment of taxable possessory interests, including annual reviews of possessory interest assessments for possible declines in value, transferring responsibility for possessory interests to the real property staff, and increasing documentation in the possessory interest appraisal

files. Although none of these recommendations have been fully implemented, we repeat only one in this report: improving appraisal file documentation.

- We found one deficiency in the appraisal of taxable government-owned properties; the assessor failed to compare the Section 11 value to either the current market value or factored base year value for 19 properties.
- Although the Mendocino County appraisers have a good knowledge of the basic appraisal procedures for California Land Conservation Act (CLCA) properties, there are two areas of concern. These areas include: (1) the assessor's periodic questionnaire sent to CLCA property owners does not request rental, compatible use income, expense, or production information; and (2) the assessor has not applied section 423.3 to CLCA assessments.
- We suggest the assessor develop a procedures manual and implement a formal system of quality control.
- Our survey discovered that the assessor cancels low-value supplemental assessments without the authority to do so. Unless the county board of supervisors enacts an ordinance authorizing such cancellations, we recommend the assessor enroll all supplemental assessments.
- We found a lack of documentation in the appraisals of commercial and industrial properties. Deficiencies in documentation include missing change in ownership dates, missing new construction completion dates, and inadequate evidence to support the appraisals.
- We recommend the assessor require all mineral property operators to file production reports, and that the county establish base year reserves and values for all mineral properties.
- Another area of concern is the mandatory audit program; mandatory audits need to be brought to current status.
- Although the assessor has an effective equipment valuation program, she employs minimum valuation factors. We recommend that the assessor discontinue the practice of limiting valuation factors to an arbitrary minimum level.
- For the assessment of tenant improvements, the assessor needs better coordination between her real and business property staff. In addition, the assessor should enroll supplemental assessments for leasehold improvements added to the unsecured roll.
- We recommend the annual assessment of vessels at market value.
- When assessing general aircraft, the assessor fails to adjust *Aircraft Bluebook Price Digest* values and improperly grants the historical aircraft exemption. We recommend that she implement a 10 percent adjustment to values derived from the *Aircraft Bluebook Price Digest* and grant the historical aircraft exemption only upon receipt of the required annual affidavit.
- While the assessor considers value guides when appraising manufactured homes, we recommend she cease making improper adjustments to values derived from those guides.



- We recommend the assessor assign business trade fixtures to her audit staff to promote uniform assessment.
- While we recommend the corrections noted above, we found that most properties and property types are assessed correctly.
- Section 75.60 authorizes the BOE to certify a county as eligible for the recovery of costs associated with administering supplemental assessments. To qualify as an eligible county, Mendocino County must achieve an average assessment level of not less than 95 percent of the amount required by law and the sum of the absolute differences cannot exceed 7.5 percent of that amount, as determined by the BOE, through its assessment-sampling program.
- The county assessment roll meets the requirements for assessment quality established by section 75.60. Our sample of the 1999-2000 assessment roll indicated an average assessment ratio of 99.02 percent, and a sum of absolute differences of 2.97 percent. Accordingly, the BOE certifies that Mendocino County is eligible to continue receiving reimbursement of costs associated with administering supplemental assessments.

Here is a list of the formal recommendations contained in this report, arrayed in the order that they appear in the text.

<b>RECOMMENDATION 1:</b>	Grant section 63.1 parent to child exclusions only upon submission of a complete claim. ....	14
<b>RECOMMENDATION 2:</b>	Report claims for transfer of base year value to the BOE every quarter, pursuant to section 69.5. ....	15
<b>RECOMMENDATION 3:</b>	Apply the proper inflation factor required by section 51. ....	15
<b>RECOMMENDATION 4:</b>	Value construction in progress at market value on each lien date. ....	16
<b>RECOMMENDATION 5:</b>	Process supplemental assessments for all properties that experience a change in ownership or completion of new construction. ....	17
<b>RECOMMENDATION 6:</b>	Process all supplemental assessments, regardless of value. ....	17
<b>RECOMMENDATION 7:</b>	Improve documentation of the annual review of decline-in-value assessments. ....	18
<b>RECOMMENDATION 8:</b>	Increase documentation in possessory interest appraisal files. ..	18
<b>RECOMMENDATION 9:</b>	Properly assess all Section 11 property. ....	19
<b>RECOMMENDATION 10:</b>	Utilize periodic mailings of CLCA questionnaires to obtain current rental and compatible use income. ....	20

<b>RECOMMENDATION 11:</b>	Value all CLCA lands in accordance with section 423.3.....	21
<b>RECOMMENDATION 12:</b>	Send annual questionnaires to Timberland Production Zone property owners to discover existing, nonexclusive compatible uses. ....	21
<b>RECOMMENDATION 13:</b>	Implement a positive response system to ensure coordination between the business property and real property staff. ....	22
<b>RECOMMENDATION 14:</b>	Send form BOE-560-A, <i>Aggregate Production Report</i> , to all mineral property operators. ....	23
<b>RECOMMENDATION 15:</b>	Establish base year reserves and values for all mineral property appraisals. ....	23
<b>RECOMMENDATION 16:</b>	Discontinue using arbitrary minimum valuation factors. ....	24
<b>RECOMMENDATION 17:</b>	Comply with Rule 461 by valuing fixtures as a separate appraisal unit. ....	25
<b>RECOMMENDATION 18:</b>	Bring the mandatory audit program to a current status. ....	26
<b>RECOMMENDATION 19:</b>	Adjust retail values from the <i>Aircraft Bluebook Price Digest</i> by 10 percent when appraising general aircraft.....	26
<b>RECOMMENDATION 20</b>	Ensure aircraft owners comply with all section 220.5 requirements before granting the historical aircraft exemption. ....	26
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## **RESULTS OF THE 1997 SURVEY**

In our 1997 Mendocino County Assessment Practices Survey, we made 17 recommendations to address problems we found in the assessor's assessment policies and procedures. Of those recommendations, the assessor fully implemented eight of the recommended changes and partially implemented two. Due to a change in law, one of the remaining seven recommendations no longer applies, and the rest were not implemented.

### ***Change in Ownership***

We recommended that the assessor create and implement procedures to adjust reported sales prices of real property to reflect bonded indebtedness. The assessor did not address our recommendation. Subsequently, section 110 was amended to create the rebuttable presumption that the value of bond-financed improvements is reflected in the total consideration paid for a property (exclusive of such lien amount). Thus, this recommendation no longer applies.

### ***New Construction***

When assessing new construction, we recommended the assessor use current costs to value construction in progress on each lien date. We found that the assessor's staff continues to add value based on outdated cost factors.

We also recommended that the assessor transfer the responsibility for assessing leasehold improvements to the real property staff, and develop an interoffice referral system. These two recommendations have not been addressed.

### ***Decline in Value***

We recommended that the assessor discontinue application of the annual inflation factor to decline-in-value assessments. This erroneous practice, the result of a computer programming error, has been corrected.

### ***Taxable Possessory Interests***

Several recommendations were made pertaining to the assessment of possessory interests. These recommendations include the annual review of possessory interest assessments for possible declines in value, transferring the possessory interest assessment responsibility to the real property staff, and increasing documentation in the possessory interest appraisal files. Although the assessor has failed to implement any of our prior recommendations, in this report we repeat only the recommendation regarding documentation.

***Taxable Government-Owned Property***

We recommended that the assessor review all taxable government-owned parcels for taxable improvements. This recommendation specifically addressed properties owned by the city of Willits as part of its water system. The assessor states that these taxable improvements were included in the assessed values; based on our review, we concur with the assessor.

***California Land Conservation Act Property***

We made several recommendations addressing the assessment of CLCA property. While some of these recommendations have been implemented, others, including the utilization of questionnaires to obtain current income and production data, have not been implemented.

The assessor did adopt our recommendations to revalue CLCA property on an annual basis and to obtain computer support for the CLCA appraisal program. Also, the assessor is now valuing irrigation ponds on agricultural preserve property in accordance with section 423.

***Water Company Property***

We recommended that the assessor review water company assessments, include them in the mandatory audit program, and review mutual water company assessments. The assessor has fully implemented these recommendations.

***Timberland Production Zone Property***

We made two recommendations directed toward the assessment of Timberland Production Zone (TPZ) property. Although the assessor adopted our recommendation to give nonproductive portions of TPZ parcels appropriate designations for correct valuations, she still does not assess all compatible uses of TPZ land.

***Manufactured Housing***

We recommended that the assessor make annual reviews of manufactured home values to reflect possible declines in value. We also recommended the assessor enroll manufactured homes as personal property. We found that the assessor has fully implemented these recommendations.

***Supplemental Assessments***

Two recommendations addressed supplemental assessments. We recommended the assessor revise the supplemental assessment program to include possessory interest contract renewals and nonliving vineyard improvements. We also recommended the assessor request the board of supervisors to adopt a resolution authorizing cancellation of small supplemental assessments. The assessor has not implemented either of these recommendations.

***Roll Changes***

We recommended the assessor cite the proper code section when levying mandatory interest on escape assessments and enroll section 506 interest on all secured escape assessments. The assessor has fully implemented this recommendation.

***Audit Program***

We discovered 20 unfinished audits from previous years despite our prior recommendation that the assessor bring the mandatory audit program to current status. We repeat that recommendation.

We recommended the assessor request waivers of the statute of limitations for all mandatory audit accounts when an audit cannot be completed in a timely manner. Although we found that waivers have not been obtained for nine of the unfinished audits, the assessor now seeks waivers of the statute of limitations in all situations where audits will not be completed on time.

We also recommended the assessor identify all mandatory audit accounts. This recommendation has been fully implemented.

***Property Statement Processing***

We previously recommended that the assessor use reasonable estimates of value for non-filing property owners or schedule these accounts for audit. The assessor has corrected this problem and has fully implemented our recommendation.

***Vessels***

We recommended the assessor appraise pleasure boats annually at market value. The assessor has not implemented our recommendation.

## OVERVIEW OF MENDOCINO COUNTY

Created by the Legislature in 1850, Mendocino was one of California's original 27 counties. Because of its small population at that time, the government of Sonoma County administered Mendocino County until 1859. It shares common borders with Sonoma County to the south, Humboldt County to the north, Lake and Glenn Counties to the east, and the Pacific Ocean to the west. Mendocino County's population is approximately 87,000, with about 36,000 residing in Ukiah, its largest incorporated city.<sup>3</sup>

The assessor's staff has remained stable during the past three fiscal years (1997-1998 through 1999-2000). The assessor's budget increased 23 percent during this three-year period. For the 1998-99 roll, the assessor's office prepared an assessment roll containing 66,844 assessments on an adopted budget of \$1,234,893.<sup>4</sup>

The following chart displays pertinent information from the 1998-99 assessment roll. Most of the information was taken from the BOE publication *A Report on Budgets, Workloads, and Assessment Appeals Activities in California Assessors' Offices*, July 2000.

<u>Property Type</u>	<u>Number of Assessments in County</u>	<u>Enrolled Values</u>
Residential	30,050	
Miscellaneous (includes manufactured homes)	70	
Rural	22,850	
Commercial/Industrial	2,880	
Total Secured Roll	55,850	\$4,881,502,000
Total Unsecured Roll (personal property except manufactured homes)	10,994	225,452,000
Total Roll	66,844	\$5,106,954,000

<sup>3</sup> "Ukiah, California Profile" provided by the Ukiah Chamber of Commerce - 1999.

<sup>4</sup> 1997-1998 Mendocino County Budget

## **ADMINISTRATION**

This portion of the survey report focuses on administrative policies and procedures of the assessor's office that affect both the real property and business property assessment programs. We examined standards and quality control, training, the State-County Property Tax Administration Program, exemptions, and disaster relief. We also reviewed how the assessor handles corrections and changes to the completed assessment roll, and how the assessor prepares and presents assessment appeals.

### ***Assessment Standards and Quality Control***

Written valuation and review procedures are important components of an internal control system that promotes uniformity and ensures accurate assessments. The purpose of appraisal standards is to establish the minimum information and documentation necessary for acceptable property assessments.

The assessor does not have a current procedures manual for the valuation and assessment of real property. When an appraiser completes an appraisal for a change in ownership or completed new construction, it is the responsibility of the chief appraiser or the senior property appraiser to review the appraisal. However, this review is more cursory than substantive. They verify that the correct base year has been entered, that there are remarks, and that the building record is updated.

We noted no obvious errors or omissions in the assessor's appraisal records. However, without written standards for minimum documentation, a reviewer has no criteria for evaluation.

The assessor's audit section has two full-time auditors and one appraiser who perform both real property appraisals and some audits. All three of these individuals perform business property appraisals. The senior auditor-appraiser reviews the audits performed by his staff. However, audits performed by the senior auditor-appraiser receive no review.

We urge the assessor to develop written procedures manuals for both the real and business property staff. Documenting proper appraisal methodology benefits the staff responsible for processing and valuing specific property types, and, in the event of staff turnover, proper documentation would ensure proper assessment by new staff.

### ***Training***

Section 670 provides that no person may perform the duties of an appraiser for property tax purposes unless he or she holds a valid certificate issued by the BOE. Section 671 further provides that all appraisers who hold such a certificate must complete at least 24 hours of annual training. This requirement is reduced to 12 hours of annual training if an appraiser holds an advanced certificate.

There are 16 certified appraiser positions in the assessor's office. These include 13 property appraisers, two auditor-appraisers, and the assessor. Based on the most current information obtained from the assessor's office, we found one employee who has a significant deficit of training hours.

The assessor should annually review the training requirements for her appraisers to ensure they all remain current with the requirements of section 671.

### ***State-County Property Tax Administration Loan Program***

Section 95.31 established the State-County Property Tax Administration Loan Program (PTAP), which provides state-funded loans to eligible counties for the improvement of property tax administration.

If an eligible county elects to participate, that county and the State Department of Finance enter into a written contract, as described in section 95.31. A PTAP loan is considered repaid if the county satisfies agreed-upon performance criteria enumerated in the contract. As a provision of the contract, a county must agree to maintain a base funding and staffing level in the assessor's office, equal to the funding and staffing levels for the 1994-95 fiscal year. This requirement prevents a county from using PTAP funds to supplant existing funding. In most counties, as a provision of the contract, verification of performance is provided to the State Department of Finance by the county auditor-controller.

Mendocino County participated in the PTAP during years 1995-96, 1996-97, 1997-98, and 1998-99. During calendar year 1999, the county borrowed \$160,435. The county's required base funding and staffing levels for the assessor's office is \$1,076,246 and 28 positions, respectively. The Mendocino County Auditor-Controller has certified to the State Department of Finance that the county met the contractual requirements for loan repayment for every year under contract.

Mendocino County used PTAP funds to reduce backlogs of mandatory audits, nonmandatory audits, assessment appeals, and decline-in-value reductions through increased staffing. Funds have also been used to purchase new information technology hardware, software, and related staff training, all designed to increase the long-term productivity of the assessor's office and other county units that are part of the property tax system.

### ***Assessment Roll Changes***

The assessor has a duty to complete the local assessment roll and deliver it to the auditor by July 1 of each year. After delivery of the roll to the auditor, the assessor cannot change an assessment unless authorized by statute or by the board of supervisors and the county counsel.

Escape assessments are assessments made after the assessor has certified that the local assessment roll was prepared pursuant to section 601. Upon discovery of property escaping assessment, the assessor must immediately add the escape assessment and any applicable penal assessment to the roll. The assessor must also cite the Revenue and Taxation Code section that



mandates the escape assessment. This action notifies the auditor-controller and treasurer-tax collector whether additional interest is required on the unpaid tax.

In our last survey, we made two recommendations addressing the enrollment of escape assessments. During our current survey, we reviewed the assessor's procedures and a number of roll changes. We found that the assessor now properly processes assessment roll changes.

### ***Assessment Appeals***

In Mendocino County, the board of supervisors sits as the local board of equalization. During fiscal year 1999-2000, the board received 79 applications for reduced assessment with five applications carried over from the previous year. Appeals are tracked using a computer program and are heard within the required two-year time frame.

All assessment appeals are prepared and presented by the chief property appraiser. We found no problems with the assessor's appeals procedures.

### ***Low-Value Property Exemption***

Section 155.20 permits the county board of supervisors to exempt property from taxation where the tax revenues generated are less than the cost of assessing and collecting such taxes. The board of supervisors shall adopt any such exemption before the lien date for the fiscal year to which the exemption is to apply. At the option of the board of supervisors, the exemption may continue in effect for succeeding fiscal years.

We found that the assessor effectively applies the low-value property exemption adopted by the Mendocino County Board of Supervisors.

### ***Disaster Relief***

Section 170 authorizes a county board of supervisors to adopt an ordinance providing property tax relief to an assessee whose property has been damaged or destroyed by a misfortune or calamity. The ordinance may apply to any misfortune or calamity, to a major misfortune or calamity within a region that has been declared to be in a state of disaster by the Governor, or to both. In 1978 the Mendocino County Board of Supervisors adopted an ordinance that applies to any misfortune or calamity.

The assessor normally processes approximately 100 disaster relief requests each year. We found no problems in this program. The assessor proactively discovers disaster relief claims by monitoring building permits and local news media.

Although we did not discover any disaster situations unknown to the assessor, we found that local fire districts do not file fire damage reports with the assessor despite continued requests from the assessor's office. To help discover additional properties that may qualify for disaster relief, we believe that the assessor should continue to pursue fire reports prepared by the local fire districts.

## ASSESSMENT OF REAL PROPERTY

The assessor's program for assessing real property includes the following elements:

- Revaluation of properties that have changed ownership.
- Valuation of new construction.
- Annual revaluations of certain properties subject to special assessment procedures, such as land subject to California Land Conservation Act (CLCA) contracts and taxable government-owned land.
- Annual review of properties with assessments authorized by Section 2(b) of article XIII A of the California Constitution. These are properties with market values less than their factored base year value.

Article XIII A of the California Constitution provides that the taxable value of real property shall not exceed its 1975 full cash value factored at no more than 2 percent per year for inflation, unless there is a change in ownership or new construction.

### ***Change in Ownership***

Section 50 requires the assessor to reappraise real property upon a change in ownership. Most often, the assessor learns of a change in ownership when a deed is recorded at the county recorder's office. In Mendocino County, the assessor's staff reviews each recorded deed to discover changes in ownership that trigger new base year values.

### **Parent/Child and Grandparent/Grandchild Transfers**

Section 63.1 excludes from the definition of "change in ownership" the purchase or transfer, on or after November 6, 1986, of the principal residence and the first \$1 million of other real property between parents and children, upon submission of a timely claim. In 1996, the voters modified this definition to include qualifying purchases or transfers from grandparents to their grandchild or grandchildren occurring on or after March 27, 1996.

**RECOMMENDATION 1:** Grant section 63.1 parent to child exclusions only upon submission of a complete claim.

When the assessor receives a section 63.1 claim, certain information is required. That information includes a certification that other real property subject to this exclusion has or has not been previously sold or transferred, the total full cash value of any real property subject to this section that has been previously sold or transferred by that transferor to eligible transferees, the location of that real property, the social security number of each eligible transferor, and the names of the eligible transferees. If this information is not provided with the claim form, the assessor accepts and processes that claim regardless of the missing data. We recommend that the assessor deny incomplete section 63.1 claims.

## Section 69.5 Exclusions

Section 69.5 excludes certain transfers of real property from the definition of “change in ownership.” The electorate, in Propositions 60, 90, and 110, approved the relevant provisions of section 69.5.

Proposition 60 provided tax relief for senior citizens by allowing them to transfer the base year value of their residence to another residence of equal or lesser value in the same county. The replacement residence must be purchased or newly constructed within two years of the sale of the original property and the applicant must be at least 55 years of age. In the case of a married couple, only one spouse need be 55.

Proposition 90 permitted the provisions of Proposition 60 to be extended to transfers between different counties, provided an ordinance accepting such transfers is passed by the board of supervisors of the county of the replacement residence. In June 1990, voters approved Proposition 110, which extended the provisions of Propositions 60 and 90 to severely disabled persons.

**RECOMMENDATION 2:** Report claims for transfer of base year value to the BOE every quarter, pursuant to section 69.5.

Section 69.5 requires the assessor to report all purchases or transfers where the property owner has made a Proposition 60, 90, or 110 claim for transfer of base year value. The assessor must file that report with the BOE every quarter. Although her office has done so in the past, the assessor does not regularly report Proposition 60, 90, and 110 claims for transfer of base year value to the BOE. In order to prevent duplicate claims, section 69.5(b)(7) requires the assessor to report information from these claims quarterly to the BOE.

We recommend the assessor comply with section 69.5 by reporting claims for transfer of base year value to the BOE.

## ***Article XIII A Annual Inflation Factor***

Pursuant to section 51(a), the inflation factor shall be the annual percentage change to the California Consumer Price Index (CCPI) for all items, as determined by the California Department of Industrial Relations, rounded to the nearest one-thousandth of one percent. Each year, the BOE issues a Letter To Assessors (LTA) announcing that year’s CCPI adjustment.

**RECOMMENDATION 3:** Apply the proper inflation factor required by section 51.

We found that the assessor does not consistently round the annual CCPI factor to the nearest one-thousandth of one percent. In some cases the factor was rounded down. This practice resulted in small value differences and incorrect assessments.

This problem became apparent during the assessment sample portion of our research. When enrolling transfers or new construction, appraisal staff would, on some occasions, manually compute the CCPI factored base year value. Those manual computations were frequently incorrect.

We recommend the assessor confirm the annual CCPI factor used in her office's computer system and by her staff to ensure the proper CCPI factor is applied.

### ***New Construction***

Section 71 requires the assessor to reappraise newly constructed real property upon the date of completion, or on each lien date while construction is in progress. Like many other counties, the assessor discovers most new construction activity from building permits. Other discovery methods include business property statements, aerial photographs, news reports, and field canvassing.

The assessor has a good system for processing and tracking building permits. We found that the staff receives and reviews all permits to ensure discovery of possible new construction.

### **New Construction Valuation**

When arriving at cost estimates for residential properties, the assessor uses the cost tables provided in Assessors' Handbook Section 531, *Residential Building Costs* (AH 531). In addition to AH 531, the assessor's staff tempers its cost estimates with cost data acquired in discussions with builders and property owners. For commercial and industrial properties, the assessor uses *Marshall Valuation Service*.

**RECOMMENDATION 4:** Value construction in progress at market value on each lien date.

In our previous survey of the assessor's office, we noted that the assessor used outdated unit cost factors when valuing ongoing new construction. We recommended that the assessor use current costs to value construction in progress on each lien date.

We found that the assessor correctly establishes a market value based on current costs for construction in progress on the initial lien date. However, for subsequent lien dates, the assessor continues to use the original cost factors for construction in progress that spans multiple lien dates. In addition, the original cost factors are also used to establish the property's new base year value upon completion of the new construction. One reason provided for this continuing practice is that rolling forward prior year costs takes into consideration the effect of physical depreciation when the construction is finally completed. This presumes, incorrectly, that any changes in cost factors are offset exactly by depreciation.

The assessor's procedure does not conform to statutory requirements. Section 71 requires the assessor to value construction in progress at its full value on each lien date, and at its full value on its date of completion. Therefore, we repeat our recommendation from the prior survey.

### ***Supplemental Assessments***

Section 75.10 provides that whenever a change in ownership occurs or new construction is completed, the assessor shall appraise the property at its full cash value as of the date of the change in ownership or completion of new construction. This appraised value becomes the new base year value. The supplemental assessment is the difference between the new base year value and the taxable value on the roll or the taxable value on the roll being prepared.

**RECOMMENDATION 5:** Process supplemental assessments for all properties that experience a change in ownership or completion of new construction.

In our previous survey report, we recommended the assessor revise the supplemental assessment program to include certain taxable events. We found that supplemental assessments were not applied to new construction of nonliving agricultural improvements on rural and CLCA lands; new construction of leasehold improvements; or changes in ownership or new construction of possessory interests. The assessor has continued this practice.

Section 75.14 provides that all property subject to the assessment limitations of article XIII A shall be subject to supplemental assessments, unless otherwise provided. Property subject to the assessment limitations of article XIII A includes leasehold improvements, possessory interests, and nonliving agricultural improvements. We therefore repeat our recommendation that the assessor levy supplemental assessments for all real property subject to article XIII A following a change in ownership or completion of new construction.

**RECOMMENDATION 6:** Process all supplemental assessments, regardless of value.

In our previous survey report, we also recommended the assessor request the board of supervisors to adopt a resolution authorizing the cancellation of small supplemental assessments. This has not been implemented.

Section 75.55 permits the assessor to cancel a supplemental assessment if the taxes to be collected are less than the cost of assessing and collecting the taxes. However, the assessor can exercise this authority only if the county board of supervisors passes a resolution authorizing such cancellations. We found that the assessor cancels small supplemental assessments without the authorization to do so. Since this practice does not comply with statutory requirements, and since the county does not have a resolution from the board of supervisors authorizing the cancellation of small supplemental assessments, we recommend the assessor enroll all supplemental assessments regardless of value.

***Decline in Value***

Section 51 requires the assessor to enroll the lesser of either a property's factored base year value (FBYV) or its current market value, as defined in section 110. When a property's current market value falls below its FBYV on any given lien date, the assessor must enroll that lower value as the taxable value for that property. If, on a subsequent lien date, a property's market value rises above the FBYV, then the assessor must enroll the FBYV as the taxable value. The assessor currently monitors 879 parcels with decline-in-value assessments.

**RECOMMENDATION 7:** Improve documentation of the annual review of decline-in-value assessments.

A property subject to a decline-in-value assessment must be reviewed annually. For purposes of this annual review, the assessor maintains comparable sales sorted by geographic area.

After reviewing a number of properties with decline-in-value assessments, we found that supporting documentation on the appraisal record varied greatly. Documentation should always include the date of review, the source of comparable sales, and the value approach used to estimate the current market value.

We recommend the assessor improve documentation on appraisal records when performing annual reviews of decline-in-value assessments.

***Taxable Possessory Interests***

A taxable possessory interest is a private property interest in publicly owned real property. For property tax purposes, the term possessory interest includes either the possession, or the right to possession, of real property when a tax-exempt government agency holds the fee title of that property.

In Mendocino County, the assessor enrolled approximately 470 possessory interests for the 1999-2000 assessment year, with a total value of more than \$8,000,000.

***Documentation of Possessory Interest Files***

**RECOMMENDATION 8:** Increase documentation in possessory interest appraisal files.

In our prior survey, we recommended the assessor increase the documentation in the possessory interest appraisal files. Since our last survey, the assessor has improved collection of lease, permit, and contract information concerning possessory interests. However, we found several possessory interest files with no building records or descriptions of the assessable interest. In addition, several appraisal files had no information regarding the determination of the term of possession or economic rent. Therefore, we repeat our prior recommendation.

## Indian Lands

Title to land taken in the name of the United States, in trust for an Indian tribe or individual Indian, is exempt from property taxation. However, assessing lessees holding possessory interests on Indian land is permitted. In Mendocino County, there are currently five separate and distinct Indian gaming operations, which typically provide their customers with slot machines, gaming tables, and bingo. The prevalent presumption about Indian gaming has been that, since Indian gaming operations are located on lands held by the federal government for tribal usage, such operations are exempt from local property taxes. This is true if the gaming operation is managed and operated by the Indian tribe. However, if a non-Indian firm manages the gaming operation, it may constitute an assessable possessory interest.

We suggest the assessor investigate the possibility that there are assessable possessory interests located on Indian lands. She should then make an attempt to identify operators and vendors who may be leasing or doing business on Indian lands, to determine the possible existence of taxable possessory interests located thereon.

### ***Taxable Government-Owned Property***

Article XIII, section 3, of the California Constitution exempts from property taxation any property owned by local governments, except as provided in Section 11. Section 11(a) provides that land, and the improvements thereon, located outside an agency's boundaries, are taxable if the property was subject to taxation at the time of acquisition. Improvements that were constructed to replace improvements that were taxable when acquired are also taxable. These lands and taxable improvements are commonly referred to as "Section 11" properties.

Mendocino County has a total of 45 Section 11 properties. The chief property appraiser is responsible for discovering and assessing all Section 11 properties.

**RECOMMENDATION 9:** Properly assess all Section 11 property.

In *City and County of San Francisco v. County of San Mateo, et al* (1995) 10 Cal.4th 554, the California Supreme Court held that the limitations of article XIII A of the California Constitution also apply to Section 11 properties. The Court's ruling means that such land must be assessed using the lowest of (1) the current fair market value, (2) the Section 11 value (the 1967 taxable value of land multiplied by the factor described in article XIII, section 11), or (3) the article XIII A factored base year value.

We found that this threefold comparison has not been used for all Section 11 properties. Nineteen properties were valued using only the 1967 assessed value, multiplied by the factor described in Section 11; no determination of either current market value or factored base year value was made for any of these properties. Additionally, for the one property with an allocation for improvements, appraisal of the improvements was limited to one approach.

Improvements, located on the property at the time of acquisition, may not be valued using the factor described in Section 11. If taxable when acquired, improvements are valued at their fair market value or their factored base year value, whichever is lower. Construction of improvements that replace original improvements must be taxed at the lowest of (1) current full cash value, (2) factored base year value, or (3) the highest full value ever used for taxation of any improvements that have been replaced. By contrast, any new improvements constructed on Section 11 land, after acquisition by a government agency, are exempt from property taxation.

We recommend the assessor properly value taxable government property in accordance with the California Constitution and statutes.

### ***California Land Conservation Act Property***

Agricultural preserves are established by a city or county pursuant to the California Land Conservation Act (CLCA) of 1965. Property owners in an agricultural preserve may choose to enter into a contract restricting the use of their land. Lands under contract are valued for property tax purposes on the basis of agricultural income-producing ability, including compatible use income (e.g., hunting rights and communications facilities). They are assessed at the lowest of the restricted value, the current unrestricted market value, or the factored base year value, as defined in article XIII A of the California Constitution. Sections 422 through 430.5 prescribe the guidelines for assessing land subject to agricultural preserve contracts.

Much of the agricultural land in Mendocino County has been enrolled in CLCA contracts. As of the 1999 lien date, there were 492,000 acres under CLCA contract with an assessed value of \$273,586,000. This represents approximately 20 percent of the county's total acreage.

### **Valuation of CLCA Property**

When valuing CLCA property, section 423(a)(1) requires the assessor to capitalize an annual income determined from market rents, imputed to the land being valued, based upon rent actually received and typical rentals received in the area for similar land in similar use.

**RECOMMENDATION 10:** Utilize periodic mailings of CLCA questionnaires to obtain current rental and compatible use income.

The assessor's CLCA questionnaire does not solicit compatible use income information. It also does not request current rental income, expense, or production capacity information. We recommend that the assessor obtain current market rents, compatible use income, expenses, and production capacities from CLCA landowners, by sending periodic CLCA questionnaires to all landowners under contract.



**RECOMMENDATION 11:** Value all CLCA lands in accordance with section 423.3.

In 1998, the board of supervisors adopted an ordinance pursuant to section 423.3, requiring the assessor to value restricted property at the lesser of the restricted value, the current market value, or a fixed percentage of the factored base year value. This ordinance provides for a more favorable treatment of lands restricted by CLCA contract. The assessor was unaware that this ordinance had been adopted. We recommend that the assessor annually determine these three values for eligible CLCA parcels, enrolling the lowest of those values.

***Water Company Property***

Water company property assessed on the local tax roll may be municipal district water systems, private water companies regulated or unregulated by the California Public Utilities Commission (CPUC), or mutual water companies. Each type presents different assessment problems.

In our last survey, we recommended that the assessor review water company assessments, include them in her mandatory audit program, and review mutual water company assessments. We found that the problems discussed in our prior survey have been corrected. We found no current problems in the assessment of water companies in Mendocino County.

***Timberland Production Zone Property***

Land zoned as a Timberland Production Zone (TPZ) is subject to specific assessment procedures that exclude the value of the standing timber. As of the 1999 lien date, there were 5,695 parcels zoned as TPZ in Mendocino County, totaling just under 856,206 acres. This represents 34.5 percent of the acreage in the County. The total assessed value of these TPZ lands is \$159 million.

Overall, we found that the assessor is conscientious in her assessment of TPZ lands. There is, however, one area that continues to need improvement and was the subject of a prior survey recommendation (i.e., the discovery of nonexclusive compatible uses).

**RECOMMENDATION 12:** Send annual questionnaires to Timberland Production Zone property owners to discover existing, nonexclusive compatible uses.

Section 435(a) requires assessors to value timberland according to the site value schedules expressed in section 434.5, plus the value of any existing, compatible, nonexclusive uses of land. Although we found that the assessor values permitted exclusive uses such as homesites, cabins, and hunting, there is no systematic canvassing of TPZ landowners to determine where existing, compatible, nonexclusive uses exist. These uses may include hunting, grazing, camping, mining, and others. The assessor must determine the current market value of these nonexclusive uses annually and add that value to the TPZ site class value.

We again recommend that the assessor contact TPZ landowners to discover all existing, compatible, nonexclusive uses.

***Leasehold Improvements***

Leasehold improvements are structural or fixture improvements made to rented or leased premises, and are typically installed and paid for by the tenant/lessee. Improvements installed by the tenant/lessee can be secured to the real property or assessed to the tenant on the unsecured roll.

Commercial, industrial, and other types of income-producing properties require constant monitoring by the assessor's staff because, as tenants change over a period of time, they may alter the original improvements in a number of ways. Examples include additions, removals, or possibly both, resulting in a changed use of the property. These changes must, by law, be reviewed and reflected in the property's assessment if they qualify as new construction.

In particular, when real property is reported on the business property statement, the reported cost should be jointly examined by an appraiser and an auditor-appraiser. Determinations must be made as to whether costs are for repair and maintenance and are, therefore, not assessable; whether additions are properly classified as a structure or fixture improvements; and whether additions are properly enrolled. For this reason, coordination between the real property and business property staff is very important.

**RECOMMENDATION 13:** Implement a positive response system to ensure coordination between the business property and real property staff.

We found a lack of coordination between the business property and real property staff in the assessment of leasehold improvements. Business property statements listing structure items—and filed by assessees whose property is assessed on the secured roll—are forwarded to the real property staff. The business property staff assesses structure items reported on business property statements by assessees of property assessed on the unsecured roll. However, there is no system in place for the real property and business property staff to acknowledge receipt of information or indicate any action taken. As a result, there is no assurance that reported items have been assessed or that double assessments are not occurring.

Therefore, we repeat our prior recommendation that the assessor implement a positive response system to ensure coordination as a means of preventing escape and/or double assessments.

***Mining Property***

The assessor's mineral appraisal program needs substantial revision in order to comply with the requirements of Rule 469. We found that the assessor does not track annual production and does not make the necessary depletion and new reserve adjustments to the base year value of the mineral rights. Although the county does keep current use permits, the assessor appears reluctant to pursue information regarding these properties. The assessor has, reportedly, relied on the planning department to gather information. However, we could not determine whether the assessor used information from the planning department in her appraisals.

**RECOMMENDATION 14:** Send form BOE-560-A, *Aggregate Production Report*, to all mineral property operators.

The assessor should send form BOE-560-A, *Aggregate Production Report*, to all mineral property operators identified from county use permit data, and require return of the completed form. This form is the best way for the county to collect relevant mineral appraisal data. The requested information includes production, income, and expense data about the property. When necessary, the county should make attempts to verify this information from other sources.

**RECOMMENDATION 15:** Establish base year reserves and values for all mineral property appraisals.

The county should establish base year reserves and values for all mineral properties and adjust those to account for reserve depletions and additions, as prescribed by Rule 469. Base year values are to be established at either the 1975 value, the latest date of a change in ownership, or the start of production. These values should then be annually adjusted to account for production (depletion) and any reserve additions.

## ASSESSMENT OF PERSONAL PROPERTY AND FIXTURES

The business property staff of the assessor's office annually processes over 5,500 property statements, audits 50 accounts, and assesses approximately 200 aircraft and 2,300 boats.

### ***Business Property Statement Program***

Section 441 requires each person owning taxable personal property in excess of \$100,000 to file an annual business property statement with the assessor. Annual property statements form the backbone of the business property assessment program. These statements cover a wide variety of property types, including commercial, industrial, agriculture, boats, and aircraft.

We reviewed the assessor's property statement processing procedures and found no problems. Property statements had appropriate signatures, accurate calculations, and they were processed correctly.

### ***Valuation of Business Personal Property***

Assessors generally use valuation factors that are produced by combining price index factors with percent good factors for machinery and equipment. The BOE has developed annual equipment index factors and percent good factors to help the assessor; these are published in BOE's Assessors' Handbook Section 581, *Equipment Index Factors* (AH 581).

**RECOMMENDATION 16:** Discontinue using arbitrary minimum valuation factors.

The assessor currently establishes arbitrary minimum valuation factors at 20 to 30 percent of cost for commercial, industrial, agricultural, and construction equipment.

Index factors recognize events such as price changes and technological progress, and are intended to reflect the price of a new replacement. The percent good factors are intended to reflect the average loss in value suffered by specific types of properties over their expected service lives. The percent good factors contained in the handbook are based on the premise that these types of properties lose value as they age.

When valuing property, appraisers must analyze individual property items for deviations from the norm. If such deviations exist, it is appropriate to adjust the valuation factor to reflect the deviation. However, establishing arbitrary minimum valuation factors is not an acceptable appraisal practice. We recommend the assessor cease using arbitrary minimum valuation factors.

### ***Property Classification***

The Mendocino County assessment roll has categories for land, improvements, and personal property. Fixtures are not separately classified on the assessment roll. We found several instances where fixtures were inappropriately classified as structural improvements.

**RECOMMENDATION 17:** Comply with Rule 461 by valuing fixtures as a separate appraisal unit.

The business property staff assesses most fixtures but refers service station, winery, and other industrial property fixture information to the real property staff for assessment. The real property staff enrolls fixtures such as tanks, pumps, presses, augers, and cold storage systems as improvements. For subsequent assessment years, the real property staff treats these fixtures as improvements, without further review by the appraisers.

There are several problems with these valuation and classification procedures as applied to fixtures. First, the valuation of fixtures is not consistent for secured and unsecured business accounts. When on the secured roll, fixture values are indexed each year by the CCPI trend factor, resulting in steadily increasing values. When on the unsecured roll, fixture values are usually factored using composite percent good factors, so that the fixture value decreases each year. Second, in years subsequent to initial enrollment, the fixture value is “buried” in the improvement value on the secured account, and thus is not treated as a separate appraisal unit, as required by Property Tax Rule 461. The result is that these fixtures will be overassessed if they in fact decline in value.

We recommend the assessor comply with Rule 461 by valuing fixtures as a separate appraisal unit, at the lower of their current market value or factored base year value.

***Computer Valuation***

In order to promote uniformity in appraisal practices and assessed values, and comply with the requirements of section 401.5, the BOE issues valuation factors for computer equipment. In LTA 98/61, the BOE provided valuation factors for use when valuing computer equipment for the 1999 and 2000 lien dates.

We found that the assessor uses the BOE-recommended valuation factors for assessing computers.

***Leased Equipment***

We reviewed the assessor’s leased equipment assessment procedures. We found no problems in this assessment program. Leased equipment appraisals were well documented with appropriate situs, assessee, and taxable status. The value calculations were accurate, and the statements were processed effectively.

***Audit Program*****Mandatory Audits**

Pursuant to section 469, audits are mandatory for taxpayers reporting business tangible personal property and trade fixtures valued at \$300,000 or more. The business property staff has a total workload of approximately 190 mandatory audit accounts. For 2000-2001 alone, the audit workload is approximately 45 audits, of which 20 are held over from previous years. In our prior survey, we recommended the assessor bring the mandatory audit program to current status. We must make that recommendation again here.

**RECOMMENDATION 18:** Bring the mandatory audit program to a current status.

The mandatory audit program is one of the main functions of the business property staff. It verifies taxpayer reporting on the largest business property accounts and helps prevent potentially large assessment errors. The business property staff has 20 unfinished audits from previous years. Although the assessor's staff anticipates that there will be no audit backlog by the end of the 2000-2001 fiscal year, the backlog still existed at the time of our fieldwork. We repeat our recommendation that the mandatory audit program be brought to current status.

***Valuation of Other Taxable Personal Property*****General Aircraft**

On January 8, 1997, the BOE approved the *Aircraft Bluebook Price Digest* as the primary guide for valuing aircraft. As stated in LTA 97/03, the BOE further directed that the book values shall be reduced by 10 percent to provide reasonable estimates of fair market value for aircraft in truly average condition on the lien date. In any instance, appropriate adjustments to the book value must be made in order to estimate a market value in the hands of the user.

**RECOMMENDATION 19:** Adjust retail values from the *Aircraft Bluebook Price Digest* by 10 percent when appraising general aircraft.

The assessor uses published value guides, including the *Aircraft Bluebook Price Digest*, to value general aircraft. These values are adjusted to reflect local market conditions, sales tax, unusual condition, equipment installed, and engine and airframe hours. However, we found that the 10 percent reduction to the book values, as directed by the BOE in LTA 97/03, was not considered for the 1999 lien date assessments. We recommend the assessor follow BOE guidelines as contained in LTA 97/03.

**RECOMMENDATION 20** Ensure aircraft owners comply with all section 220.5 requirements before granting the historical aircraft exemption.

Currently, the assessor does not require annual affidavits for the historical aircraft exemption (form BOE-260-B) as required by section 220.5. Instead, the assessor allows exemptions for

historical aircraft based on an initial statement filed by the aircraft owner for all subsequent years. Additionally, the affidavits are not signed in the presence of a notary public or a deputy assessor, as required by section 220.5.

We recommend the assessor require aircraft owners to comply with the requirements of section 220.5 before granting the historical aircraft exemption.

## Vessels

Primary discovery sources for new boats and vessels are Department of Motor Vehicles (DMV) reports, field canvassing, marina reports, and referrals from other counties. We reviewed 17 vessel assessments. Our review included a comparison of the assessor's values with the values found in the NADA guide. Of the assessments we reviewed, only six of the assessor's values fell within the value ranges in the NADA guidebook.

**RECOMMENDATION 21:** Appraise pleasure boats annually at market value.

After the initial assessment, pleasure boats are depreciated 5 percent annually thereafter. Using this procedure, an assessed value will approximate market value only if, by coincidence, the resale of a boat follows this specific pattern. While this valuation procedure is efficient, the fixed depreciation rate applied to all boats each year seldom reflects actual boat values in the county.

Rather than depreciating all boats—regardless of type—by the same percentage, a more valid method would be to first categorize all boats into groups by new and used, and then by type, i.e., cruiser/powerboat, sailboat, inboard, outboard, inboard/outboard, and personal watercraft. Trends in the market values for each of these groups should be calculated by comparing a sample of each group in published valuation guides for the current year and previous year. The trend factor could then be applied to all boats within each group annually.

The business property staff has attempted to review each boat assessment and compare it to the NADA guide every other year. Although the assessor's procedures call for reviews every other year, by owner's last name, we found this review seldom occurs due to staffing limitations.

We recommend the assessor appraise pleasure boats annually at market value.

## Manufactured Homes

There are approximately 95 commercial manufactured home parks in Mendocino County. Although the assessor should classify most manufactured homes as personal property, their assessment, in most respects, falls under the same standards as real property subject to article XIII A. When appraising manufactured homes, the assessor relies on data provided by the Department of Housing and Community Development, building permits, and dealer reports of sale.

In our prior survey report, we recommended the assessor perform annual reviews of manufactured homes to reflect declines in value and enroll manufactured homes as personal property. The assessor has implemented both of these recommendations. During our current survey, however, we discovered a new problem in the assessment of manufactured homes.

**RECOMMENDATION 22:** Discontinue adjusting values derived from manufactured home guides for upgrades and deliveries.

We found that the assessor used the *NADA Manufactured Housing Appraisal Guide* to value manufactured homes, but uses a 10 percent upward adjustment for those installed in manufactured home parks. This adjustment is attributed to delivery and set-up charges and upgrades.

However, these costs are already included in the value guide indicators. No additional adjustments should be made, unless an actual study of manufactured home values supports additional costs or upgrades outside of those described in the NADA guide.

We recommend the assessor use the *NADA Manufactured Home Value Guide* correctly, and not adjust for upgrades and deliveries.



## APPENDIX

### ***A. County Property Tax Division Survey Group***

#### ***Mendocino County***

***Chief, County Property Tax Division:***

Charles Knudsen

***Survey Program Director:***

Gene Palmer

Principal Property Appraiser

***Survey Team Supervisors:***

David J. Hendrick

Supervising Property Appraiser

Mike Lebeau

Supervising Property Appraiser

***Survey Team Leader:***

Dale Peterson

Senior Specialist Property Auditor Appraiser

***Survey Team:***

James McCarthy

Senior Petroleum and Mining Appraisal Engineer

Sally Boeck

Senior Specialist Property Appraiser

Andy Anderson

Associate Property Appraiser

Zella Cunningham

Associate Property Appraiser

Glenn Danley

Associate Property Appraiser

Ron Louie

Associate Property Appraiser

Bob Marr

Associate Property Appraiser

Rod Miyatake

Associate Property Appraiser

Raymond Tsang

Associate Property Auditor Appraiser

Ancil Aydelott

Associate Property Auditor Appraiser

Kim Trotto

Tax Technician II

## ***B. Assessment Sampling Program***

The need for compliance with the laws, rules, and regulations governing the property tax system and related assessing<sup>5</sup> activities is very important in today's fiscally stringent times. The importance of compliance is twofold. First, the statewide maximum tax rate is set at one percent of taxable value. Therefore, a reduction of local revenues occurs in direct proportion to any undervaluation of property. (It is not legally allowable to raise the tax rate to compensate for increased revenue needs.) Secondly, with a major portion of every property tax dollar statewide going to public schools, a reduction in available local property tax revenues has a direct impact on the State's General Fund, which must backfill any property tax shortfall.

The BOE, in order to meet its constitutional and statutory obligations, focuses the assessment sampling program on a determination of the full value of locally taxable property and eventually its assessment level. The purpose of the BOE's assessment sampling program is to review a representative sampling of the assessments making up the local assessment rolls, both secured and unsecured, to determine how effectively the assessor is identifying those properties subject to revaluation and how well he/she is performing the valuation function.

The BOE's County Property Tax Division (CPTD) conducts the assessment sampling program on a five-year cycle for the 11 largest counties and cities and counties and on either a random or as needed basis for the other 47 counties. This sampling program is described as follows:

A representative random sampling is drawn from both the secured and unsecured local assessment rolls for the counties to be surveyed.

These assessments are stratified into 18 value strata (nine secured and nine unsecured.)<sup>6</sup>

From each stratum a random sampling is drawn for field investigation, sufficient in size to reflect the assessment level within the county.

For purposes of analysis, the items will be identified and placed into one five categories after the sample is drawn:

**Base year properties.** Those properties the county assessor has not reappraised for either an ownership change or new construction during the period between the lien date five years prior to the roll currently being sampled and the lien date of the current sampling.

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<sup>5</sup> The term "assessing" as used here includes the actions of local assessment appeals boards, the boards of supervisors when acting as boards of equalization, and local officials who are directed by law to provide assessment-related information.

<sup>6</sup> The nine value strata are \$1 to \$99,999; \$100,000 to \$199,999; \$200,000 to \$499,999; \$500,000 to \$999,999; \$1,000,000 to \$1,999,999; \$2,000,000 to \$19,999,999; \$20,000,000 to \$22,999,999; \$100,000,000 to \$249,999,999; and \$250,000,000 and over.

**Transferred properties.** Those properties last reappraised because of an ownership change that occurred during the period between the lien date five years prior to the roll currently being sampled and the lien date of the current sampling.

**New construction.** Those properties last reappraised to reflect new construction that occurred during the period between the lien date five years prior to the roll currently being sampled and the lien date of the current sampling.

**Non-Proposition 13 properties.** Those properties not subject to the value restrictions of Article XIII A, or those properties that have a unique treatment. Such properties include mineral-producing property, open-space property, timber preserve property, and taxable government-owned property.

**Unsecured properties.** Those properties on the unsecured roll.

From the assessment universe in each of these 18 value strata (nine strata on both secured and unsecured local rolls), a simple random sampling is drawn for field investigation which is sufficient in size to reflect the assessment practices within the county. A simple nonstratified random sampling would cause the sample items to be concentrated in those areas with the largest number of properties and might not adequately represent all assessments of various types and values. Because a separate sample is drawn from each stratum, the number of sample items from each category is not in the same proportion to the number of assessments in each category. This method of sample selection causes the raw sample, i.e., the "unexpanded" sample, to overrepresent some assessment types and underrepresent others. This apparent distortion in the raw sampling is eliminated by "expanding" the sample data; that is, the sample data in each stratum are multiplied by the ratio of the number of assessments in the particular stratum to the number of sample items selected from the stratum. Once the raw sampling data are expanded, the findings are proportional to the actual assessments on the assessment roll. Without this adjustment, the raw sampling would represent a distorted picture of the assessment practices. This expansion further converts the sampling results into a magnitude representative of the total assessed value in the county.

The field investigation objectives are somewhat different in each category, for example:

**Base year properties** -- for those properties not reappraised during the period between the lien date five years prior to the roll currently being sampled and the lien date of the current sampling: was the value properly factored forward (for the allowed inflation adjustment) to the roll being sampled? was there a change in ownership? was there new construction? or was there a decline in value?

**Transferred properties** -- for those properties where a change in ownership was the most recent assessment activity during the period between the lien date five years prior to the roll currently being sampled and the lien date of the current sampling: do we concur that a reappraisal was needed? do we concur with the county assessor's new value? was the base year value trended forward (for the allowed inflation adjustment)? was there a subsequent ownership change? was there subsequent new construction? was there a decline in value?

**New construction** -- for those properties where the most recent assessment activity was new construction added during the period between the lien date five years prior to the roll currently being sampled and the lien date of the current sampling: do we concur that the construction caused a reappraisal? do we concur with the value enrolled? was the base year amount trended forward properly (for the allowed inflation adjustment)? was there subsequent new construction? or was there a decline in value?

**Non-Prop 13 properties** -- for properties not covered by the value restrictions of Article XIII A, or those properties that have a unique treatment do we concur with the amount enrolled?

**Unsecured properties** -- for assessments enrolled on the unsecured roll, do we concur with the amount enrolled?

The results of the field investigations are reported to the county assessor, and conferences are held to review individual sample items whenever the county assessor disagrees with the conclusions.

The results of the sample are then expanded as described in (5) above. The expanded results are summarized according to the five assessment categories and by property type and are made available to the assessment practices survey team prior to the commencement of the survey.

The primary use of the assessment sampling is to determine an assessor's eligibility for the cost reimbursement authorized by Revenue and Taxation Code section 75.60. During the course of the sampling activity, the assessment practices survey team may also discover recurring causes for the differences in the opinion of taxable value that arise between the assessor and the County Property Tax Division. These discoveries may lead to recommendations in the survey report that would not have otherwise been made.

### ***C. Relevant Statutes and Regulations***

#### **Government Code**

##### **15640. Survey by board of county assessment procedures.**

- (a) The State Board of Equalization shall make surveys in each county and city and county to determine the adequacy of the procedures and practices employed by the county assessor in the valuation of property for the purposes of taxation and in the performance generally of the duties enjoined upon him or her.
- (b) The surveys shall include a review of the practices of the assessor with respect to uniformity of treatment of all classes of property to ensure that all classes are treated equitably, and that no class receives a systematic overvaluation or undervaluation as compared to other classes of property in the county or city and county.
- (c) The surveys may include a sampling of assessments from the local assessment rolls. Any sampling conducted pursuant to subdivision (b) of Section 15643 shall be sufficient in size and dispersion to insure an adequate representation therein of the several classes of property throughout the county.
- (d) In addition, the board may periodically conduct statewide surveys limited in scope to specific topics, issues, or problems requiring immediate attention.
- (e) The board's duly authorized representatives shall, for purposes of these surveys, have access to, and may make copies of, all records, public or otherwise, maintained in the office of any county assessor.
- (f) The board shall develop procedures to carry out its duties under this section after consultation with the California Assessors' Association. The board shall also provide a right to each county assessor to appeal to the board appraisals made within his or her county where differences have not been resolved before completion of a field review and shall adopt procedures to implement the appeal process.

##### **15641. Audit of Records; Appraisal Data Not Public.**

In order to verify the information furnished to the assessor of the county, the board may audit the original books of account, wherever located; of any person owning, claiming, possessing or controlling property included in a survey conducted pursuant to this chapter when the property is of a type for which accounting records are useful sources of appraisal data.

No appraisal data relating to individual properties obtained for the purposes of any survey under this chapter shall be made public, and no state or local officer or employee thereof gaining knowledge thereof in any action taken under this chapter shall make any disclosure with respect thereto except as that may be required for the purposes of this chapter. Except as specifically provided herein, any appraisal data may be disclosed by the board to any assessor, or by the board or the assessor to the assessee of the property to which the data relate.

The board shall permit an assessee of property to inspect, at the appropriate office of the board, any information and records relating to an appraisal of his or her property, including "market data" as defined in Section 408. However, no information or records, other than "market data," which relate to the property or business affairs of a person other than the assessee shall be disclosed.

Nothing in this section shall be construed as preventing examination of that data by law enforcement agencies, grand juries, boards of supervisors, or their duly authorized agents, employees, or representatives conducting an investigation of an assessor's office pursuant to Section 25303, and other duly authorized legislative or administrative bodies of the state pursuant to their authorization to examine that data.

**15642. Research by board employees.**

The board shall send members of its staff to the several counties and cities and counties of the state for the purpose of conducting that research it deems essential for the completion of a survey report pursuant to Section 15640 with respect to each county and city and county. The survey report shall show the volume of assessing work to be done as measured by the various types of property to be assessed and the number of individual assessments to be made, the responsibilities devolving upon the county assessor, and the extent to which assessment practices are consistent with or differ from state law and regulations. The report may also show the county assessor's requirements for maps, records, and other equipment and supplies essential to the adequate performance of his or her duties, the number and classification of personnel needed by him or her for the adequate conduct of his or her office, and the fiscal outlay required to secure for that office sufficient funds to ensure the proper performance of its duties.

**15643. When surveys to be made.**

- (a) The board shall proceed with the surveys of the assessment procedures and practices in the several counties and cities and counties as rapidly as feasible, and shall repeat or supplement each survey at least once in five years.
- (b) The surveys of the 10 largest counties and cities and counties shall include a sampling of assessments on the local assessment rolls as described in Section 15640. In addition, the board shall each year, in accordance with procedures established by the board by regulation, select at random at least three of the remaining counties or cities and counties, and conduct a sample of assessments on the local assessment roll in those counties. If the board finds that a county or city and county has "significant assessment problems," as provided in Section 75.60 of the Revenue and Taxation Code, a sample of assessments will be conducted in that county or city and county in lieu of a county or city and county selected at random. The 10 largest counties and cities and counties shall be determined based upon the total value of locally assessed property located in the counties and cities and counties on the lien date that falls within the calendar year of 1995 and every fifth calendar year thereafter.
- (c) The statewide surveys which are limited in scope to specific topics, issues, or problems may be conducted whenever the board determines that a need exists to conduct a survey.
- (d) When requested by the legislative body or the assessor of any county or city and county to perform a survey not otherwise scheduled, the board may enter into a contract with the requesting local agency to conduct that survey. The contract may provide for a board sampling of assessments on the local roll. The amount of the contracts shall not be less than the cost to the board, and shall be subject to regulations approved by the Director of General Services.

**15644. Recommendations by board.**

The surveys shall incorporate reviews of existing assessment procedures and practices as well as recommendations for their improvement in conformity with the information developed in the surveys as to what is required to afford the most efficient assessment of property for tax purposes in the counties or cities and counties concerned.

**15645. Survey report; final survey report; assessor's report.**

- (a) Upon completion of a survey of the procedures and practices of a county assessor, the board shall prepare a written survey report setting forth its findings and recommendations and transmit a copy to the assessor. In addition the board may file with the assessor a confidential report containing matters relating to personnel. Before preparing its written survey report, the board shall meet with the assessor to discuss and confer on those matters which may be included in the written survey report.
- (b) Within 30 days after receiving a copy of the survey report, the assessor may file with the board a written response to the findings and recommendations in the survey report. The board may, for good cause, extend the period for filing the response.
- (c) The survey report, together with the assessor's response, if any, and the board's comments, if any, shall constitute the final survey report. The final survey report shall be issued by the board within two years after the date the board began the survey. Within a year after receiving a copy of the final survey report, and annually thereafter, no later than the date on which the initial report was issued by the board and until all issues are resolved, the assessor shall file with the board of supervisors a report, indicating the manner in which the assessor has implemented, intends to implement, or the reasons for not implementing the recommendations of the survey report, with copies of that response being sent to the Governor, the Attorney General, the State Board of Equalization, the Senate and Assembly and to the grand juries and assessment appeals boards of the counties to which they relate.

**15646. Copies of final survey reports to be filed with local officials.**

Copies of final survey reports shall be filed with the Governor, Attorney General, and with the assessors, the boards of supervisors, the grand juries and assessment appeals boards of the counties to which they relate, and to other assessors of the counties unless one of these assessors notifies the State Board of Equalization to the contrary and, on the opening day of each regular session, with the Senate and Assembly.

**Revenue and Taxation Code****75.60. Allocation for administration.**

- (a) Notwithstanding any other provision of law, the board of supervisors of an eligible county or city and county, upon the adoption of a method identifying the actual administrative costs associated with the supplemental assessment roll, may direct the county auditor to allocate to the county or city and county, prior to the allocation of property tax revenues pursuant to Chapter 6(commencing with Section 95) and prior to the allocation made pursuant to Section 75.70, an amount equal to the actual administrative costs, but not to exceed 5 percent of the revenues that have been collected on or after January 1, 1987, due to the assessments under this chapter. Those revenues shall be used solely for the purpose of administration of this chapter, regardless of the date those costs are incurred.
- (b) For purposes of this section:
- (1) "Actual administrative costs" includes only those direct costs for administration, data processing, collection, and appeal that are incurred by county auditors, assessors, and tax collectors. "Actual administrative costs" also includes those indirect costs for administration, data processing, collections, and appeal that are incurred by county auditors, assessors, and tax collectors and are allowed by state and federal audit standards pursuant to the A-87 Cost Allocation Program.
  - (2) "Eligible county or city and county" means a county or city and county that has been certified by the State Board of Equalization as an eligible county or city and county. The State Board of Equalization shall certify a county or city and county as an eligible county or city and county only if both of the following are determined to exist:
    - (A) The average assessment level in the county or city and county is at least 95 percent of the assessment level required by statute, as determined by the board's most recent survey of that county or city and county performed pursuant to Section 15640 of the Government Code.
    - (B) For any survey of a county assessment roll for the 1996-97 fiscal year and each fiscal year thereafter, the sum of the absolute values of the differences from the statutorily required assessment level described in subparagraph (A) does not exceed 7.5 percent of the total amount of the county's or city and county's statutorily required assessed value, as determined pursuant to the board's survey described in subparagraph (A).
  - (3) Each certification of a county or city and county shall be valid only until the next survey made by the board. If a county or city and county has been certified following a survey that includes a sampling of assessments, the board may continue to certify that county or city and county following a survey that does not include sampling if the board finds in the survey conducted without sampling that there are no significant assessment problems in the county or city and county. The board shall, by regulation, define "significant assessment problems" for purposes of this section, and that definition shall include objective standards to measure performance. If the board finds in the survey conducted without sampling that significant assessment problems exist, the board shall conduct a sampling of assessments in that county or city and county to determine if it is an eligible county or city and county. If a county or city and county is not certified by the board, it may request a new survey in advance of the regularly scheduled survey, provided that it agrees to pay for the cost of the survey.



***Title 18, California Code of Regulations*****Rule 370. Random selection of counties for representative sampling.**

- (a) **SURVEY CYCLE.** The board shall select at random at least three counties from among all except the 10 largest counties and cities and counties for a representative sampling of assessments in accordance with the procedures contained herein. Counties eligible for random selection will be distributed as equally as possible in a five-year rotation commencing with the local assessment roll for the 1997–98 fiscal year.
- (b) **RANDOM SELECTION FOR ASSESSMENT SAMPLING.** The three counties selected at random will be drawn from the group of counties scheduled in that year for surveys of assessment practices. The scheduled counties will be ranked according to the size of their local assessment rolls for the year prior to the sampling.
  - (1) If no county has been selected for an assessment sampling on the basis of significant assessment problems as provided in subdivision (c), the counties eligible in that year for random selection will be divided into three groups (small, medium, and large), such that each county has an equal chance of being selected. One county will be selected at random by the board from each of these groups. The board may randomly select an additional county or counties to be included in any survey cycle year. The selection will be done by lot, with a representative of the California Assessors' Association witnessing the selection process.
  - (2) If one or more counties are scheduled for an assessment sampling in that year because they were found to have significant assessment problems, the counties eligible for random selection will be divided into the same number of groups as there are counties to be randomly selected, such that each county has an equal chance of being selected. For example, if one county is to be sampled because it was found to have significant assessment problems, only two counties will then be randomly selected and the pool of eligible counties will be divided into two groups. If two counties are to be sampled because they were found to have significant assessment problems, only one county will be randomly selected and all counties eligible in that year for random selection will be pooled into one group.
  - (3) Once random selection has been made, neither the counties selected for an assessment sampling nor the remaining counties in the group for that fiscal year shall again become eligible for random selection until the next fiscal year in which such counties are scheduled for an assessment practices survey, as determined by the five-year rotation. At that time, both the counties selected and the remaining counties in that group shall again be eligible for random selection.
- (c) **ASSESSMENT SAMPLING OF COUNTIES WITH SIGNIFICANT ASSESSMENT PROBLEMS.** If the board finds during the course of an assessment practices survey that a county has significant assessment problems as defined in Rule 371, the board shall conduct a sampling of assessments in that county in lieu of conducting a sampling in a county selected at random.
- (d) **ADDITIONAL SURVEYS.** This regulation shall not be construed to prohibit the Board from conducting additional surveys, samples, or other investigations of any county assessor's office.

**Rule 371. Significant assessment problems.**

- (a) For purposes of Revenue and Taxation Code Section 75.60 and Government Code Section 15643, “significant assessment problems” means procedure(s) in one or more areas of an assessor’s assessment operation, which alone or in combination, have been found by the Board to indicate a reasonable probability that either:
  - (1) the average assessment level in the county is less than 95 percent of the assessment level required by statute; or
  - (2) the sum of all the differences between the board’s appraisals and the assessor’s values (without regard to whether the differences are underassessments or overassessments), expanded statistically over the assessor’s entire roll, exceeds 7.5 percent of the assessment level required by statute.
- (b) For purposes of this regulation, “areas of an assessor’s assessment operation” means, but is not limited to, an assessor’s programs for:
  - (1) Uniformity of treatment for all classes of property.
  - (2) Discovering and assessing newly constructed property.
  - (3) Discovering and assessing real property that has undergone a change in ownership.
  - (4) Conducting mandatory audits in accordance with Revenue and Taxation Code Section 469 and Property Tax Rule 192.
  - (5) Assessing open-space land subject to enforceable restriction, in accordance with Revenue and Taxation Code Sections 421 et. seq.
  - (6) Discovering and assessing taxable possessory interests in accordance with Revenue and Taxation Code Sections 107 et. seq.
  - (7) Discovering and assessing mineral-producing properties in accordance with Property Tax Rule 469.
  - (8) Discovering and assessing property that has suffered a decline in value.
  - (9) Reviewing, adjusting, and, if appropriate, defending assessments for which taxpayers have filed applications for reduction with the local assessment appeals board.
- (c) A finding of “significant assessment problems,” as defined in this regulation, would be limited to the purposes of Revenue and Taxation Code Section 75.60 and Government Code Section 15643, and shall not be construed as a generalized conclusion about an assessor’s practices.

## **ASSESSOR'S RESPONSE TO BOE'S FINDINGS**

Section 15645 of the Government Code provides that the assessor may file with the BOE a response to the findings and recommendations in the survey report. The survey report, the assessor's response, and the BOE's comments on the assessor's response, if any, constitute the final survey report.

The Mendocino County Assessor's response begins on the next page. Our comments on the response begins on the next numbered page (there are no page numbers for the assessor's response).

MARSHA A. WHARFF

ASSESSOR - COUNTY CLERK - RECORDER

REGISTRAR OF VOTERS

COMMISSIONER OF  
CIVIL MARRIAGES



MACK FORD  
CHIEF PROPERTY APPRAISER

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## COUNTY OF MENDOCINO

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February 1, 2001

Mr. Charles Knudsen, Chief  
County Property Tax Division  
State Board of Equalization  
P. O. Box 942879  
Sacramento, CA 94279-0062

RECEIVED

FEB 13 2001

County Property Tax Division  
State Board of Equalization

Dear Mr. Knudsen:

In accordance with Government Code Section 15645, I am including herewith the Assessor's Response to the State Board of Equalization's Assessment Practices Survey for Mendocino County.

I am pleased that overall, the Survey Report reflects the high quality of the assessment practices in Mendocino County. This report also supports my goals in conducting an efficient operation which meets statutory requirements and provides the best possible service to the citizens of Mendocino County. Though I am in agreement with most of the Board's recommendations, there are some with which I disagree. As you will note in my response, most of your recommendations have already been implemented and others will be as soon as time and personnel resources are available. Funding from AB 818 and AB 719 is assisting us in this regard.

I wish to acknowledge and thank the employees of the Assessor's Office for their dedication and hard work in providing outstanding service to the citizens of our County. I would also like to thank Charles Knudsen, Dale Peterson, Mike LeBeau and the remainder of the State Board's Survey Team for the professional manner in which the Survey was conducted.

Very truly yours, .

MARSHA A. WHARFF  
Assessor-County Clerk-Recorder

Encl.

Mendocino County Assessment Practices Survey  
Recommendations & Responses

***Recommendation #1: Grant section 63.1 parent to child exclusions only upon submission of a complete claim.***

**Response:** This problem arose through clerical turnover. This office recognized that additional training and tighter oversight was needed. This is currently being addressed.

***Recommendation #2: Report claims for transfer of base year value to BOE every quarter, pursuant to section 69.5.***

**Response:** This problem arose through clerical turnover. This is an area that has already been addressed and we are now current.

***Recommendation #3: Apply the proper inflation factor required by section 51.***

**Response:** We concur. It has been discovered that a computer factoring error occurred in 1996. We are developing a plan to identify and correct the factoring for prior years.

***Recommendation #4: Value construction in progress at market value on each lien date.***

**Response:** We currently value construction in progress at market value on each lien date when construction has progressed from the previous lien date. However, we concur that construction in progress that has not progressed since the previous lien date also needs to be valued at market value on each lien date and will begin valuing these as well.

***Recommendation #5: Process supplemental assessments for all properties that experience a change in ownership or completion of new construction.***

**Response:** We are already processing supplemental assessments for all properties that experience a change in ownership or completion of new construction. The SBE has classified as structures, some of the items that we have classified as fixtures on agricultural properties. We are assessing the items but are not supplementing them because they are fixtures.

***Recommendation #6: Process all supplemental assessments, regardless of value.***

**Response:** We are already processing all supplemental assessments regardless of value. The County Auditor classifies regular and supplemental assessments that result in bills of less than \$10 as "not billed" assessments as authorized under Revenue and Taxation Code Section 4986.8. The Assessor does not determine minimum assessments or cancel bills.

There have been occasions where very minor new construction did not change the value of the property. In these cases no supplementals were processed as there were no changes in the value of the property.

***Recommendation #7: Improve documentation of the annual review of decline in value assessments.***

**Response:** We concur and are working with our programmer to develop a documentation program for what is currently done manually.

***Recommendation #8: Increase documentation in possessory interest appraisal files.***

**Response:** We concur and are implementing for the 2001 lien date.

***Recommendation #9: Properly assess all Section 11 property.***

**Response:** We concur and are implementing for the 2001 lien date.

***Recommendation #10: Utilize periodic mailings of CLCA questionnaires to obtain current rental and compatible use income.***

**Response:** This is being done as time and staffing allow.

***Recommendation #11: Value all CLCA lands in accordance with section 423.3.***

**Response:** We concur. We are working with our programmer to implement this change.

***Recommendation #12: Send annual questionnaires to Timberland Production Zone property owners to discover existing, nonexclusive compatible uses.***

**Response:** This is being done as time and staffing allow.

***Recommendation #13: Implement a positive response system to ensure coordination between the business property and real property staff.***

**Response:** We concur. We will work to design documentation to comply with this recommendation.

***Recommendation #14: Send form BOE-560-A, Aggregate Production Report to all mineral property operators.***

**Response:** This is being done as time and staffing allow.

***Recommendation #15: Establish base year reserves and values for all mineral property appraisals.***

**Response:** We concur. This will be done as time and staffing allow.

***Recommendation #16: Discontinue arbitrary minimum good factors for business property.***

**Response:** This was implemented with the appraisals for the 2000 tax year.

***Recommendation #17: Comply with Rule 461 by valuing fixtures as separate appraisal unit.***

**Response:** We concur. One of our AB 719 projects for 2000-2001 is to search through various classes of industrial properties to properly categorize fixtures.

***Recommendation #18: Bring the mandatory audit program to a current status.***

**Response:** We are endeavoring to comply. This is one of the projects scheduled under AB 719 funding.

***Recommendation #19: Adjust retail values from the Aircraft Bluebook Price Digest by 10 percent when appraising general aircraft.***

**Response:** This was implemented with the appraisals for the 2000 tax year.

***Recommendation #20: Ensure aircraft owners comply with all section 220.5 requirements before granting the historical aircraft exemption.***

**Response:** We concur. This was implemented for the 2001 tax year.

***Recommendation #21: Appraise pleasure boats annually at market value.***

**Response:** We have shifted responsibility for boat appraisal to the business property division for 2001, and are endeavoring to comply.

***Recommendation #22: Discontinue adjusting values derived from manufactured home guides for upgrades and deliveries.***

**Response:** The SBE is recommending that we discontinue adjusting the NADA values upward for delivery and set up charges and upgrades, indicating that these are already included in the value guide indicators. We respectfully disagree with their recommendation. State law suggests the use of the NADA appraisal guide for valuing manufactured homes. Revenue & Taxation Code Section 5803 does not restrict the Assessor to the guide value but merely says the guide value is to be considered. The NADA guide does not indicate that the listed prices include delivery and set-up costs. In fact, in part 3 of the guide are listed the component values to be added to the base values as they are considered to be over and above standard. These include: utilities, site prep, foundation, concrete flatwork, engineering, permits, freight charges, pilot cars, field installation, leveling, wheel and axle removal.

## **BOARD'S COMMENTS ON ASSESSOR'S RESPONSE**

In accordance with the provisions of Government Code section 15645, the Mendocino County Assessor elected to incorporate her response to the BOE's findings and recommendations in the published survey report. Section 15645 of the Government Code also allows the BOE to include, in the report, comments regarding the assessor's response.

Recommendation 22: Discontinue adjusting values derived from manufactured home guides for upgrades and deliveries.

The assessor responded in part:

The NADA guide does not indicate that the listed prices include delivery and set-up costs. In fact, in part 3 of the guide are listed the component values to be added to the base values as they are considered to be over and above the standard.

We confirmed with NADA that the value charts are based on open market sales of unfurnished manufactured homes in marketable (average) condition and that the values represent depreciated replacement cost, current year retail dollars, traditional retailer mark-up, transportation costs (300 miles of freight), and installation (set-up) costs. These specifications are shown on page 10A of the NADA guide. The delivery and set-up costs listed in part 3 of the guide are costs that would be incurred for a manufactured home that has to be moved.

Since the NADA guide includes delivery and set-up costs in the stated values, the assessor's 10 percent adjustment to the values in the NADA guide would result in an overassessment of the manufactured home.